STATEMENT OF PURPOSE

RS23759

This bill clarifies that automobile underinsurance coverage will be "excess" (in addition to). People buy optional underinsurance for one reason: to make sure their medical bills and damages in a serious accident are covered—after the policy of the careless driver is exhausted. Underinsurance is commonly understood to start paying bills when the liability policy runs out.

But some insurance companies insert a little-understood "offsetting" clause. This technicality means that up to the entire face value of the injured driver's underinsurance is "offset" (reduced by) the actual dollar amount of the policy of the driver at fault. The pre-purchased underinsurance is then reduced or eliminated entirely—except in states that deem it "excess."

Defining it as excess gives the consumer genuine "What you buy is what you get" underinsurance, which will block these post-accident offsets. The entire amount of the underinsurance would remain available—for hospitals, medical providers, and the injured driver's lost wages; and for all post-settlement subrogation (reimbursement) claims of Idaho Medicaid, county/state indigent funds, and the employee health plans of state and local units.

As a result, the combined insurance available in the majority of Idaho accidents could effectively as much as double—because statistically, about 91% of Idaho drivers buy liability insurance; and because most of these drivers also elect to add the optional underinsurance.

[The "excess" definition used here is taken from a 2007 bill advanced by Senator Brent Hill and Representative JoAn Wood. (S1125; approved in the Senate 33-2 and in the House 63-2) http://legislature.idaho.gov/legislation/2007/S1125.html]

FISCAL NOTE

The benefit to the various state and local funds is undetermined, but conservatively estimated to be several million dollars, for two reasons: Medicaid, the indigent funds, and government employee health plans initially pay the bills on hundreds of auto accidents annually; subsequently, their subrogation (reimbursement) claims attach to all pending insurance settlements, from both liability and underinsurance policies.

Equally important, many hospitals and providers prefer to hold their bills until settlement and get paid at 100 cents on the dollar—if adequate insurance exists to ensure payment. "Excess" underinsurance will mean significantly more settlement dollars, and thus far fewer bills submitted for payment to all governmental units.

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